THE NEW YORK TIMES,

McCloy Testifies He Took the Oil Companies' Case on

By RICHARD D. LYONS
Special to The New York Times

WASHINGTON, Feb. 6 — John J. McCloy, the Wall Street lawyer, told a Senate subcommittee today that, in representing 23 oil companies dealing with the oil-producing countries, he personally carried his clients' case to high Federal officials, including President Kennedy.

Senator Frank Church said that the testimony drove home the point that United States international oil policy was being made by the companies themselves in direct dealings with Federal officials, rather than by the State Department or other executive agencies over which Congress has watchdog authority.

Senator Church, an Idaho Democrat, is chairman of the Foreign Regulations Committee on Multinational Corporations. Mr. McCloy is the former United States High Commissioner in Germany and White House adviser on arms control.

Accord on Bargaining

Mr. McCloy testified that, through his efforts, the major companies until 1970 had an informal agreement with the Government allowing them to bargain collectively with the petroleum-producing states.

He said that he had discussed the international problems of the oil companies with President Kennedy, Attorneys General Robert F. Kennedy, Nicholas deB. Katzenbach, Ramsey Clark and John N. Mitchell, and Secretary of State William P. Rogers when they were in office.

The hearing today was the fourth in a series by the subcommittee, which is looking into the roles played by the international petroleum corporations based in this country and by the United States Government in the origins of the world oil crisis.

The subcommittee is seeking to determine if either side acted improperly and if such mistakes can be averted on future oil negotiations, such as the 13-nation meeting of the major oil-consuming nations that starts here Monday.

Senator Church and Senator Charles M. Percy, an Illinois Republican, expressed concern that the success of the oil-producing nations in demanding higher prices might spread to similar groups of countries dealing in other raw materials, such as bauxite.

Mr. McCloy said that the companies, in taking concerted action in negotiations with the petroleum-producing nations, had hoped to prevent those nations from playing off one company against the other to drive up the price of oil again and again.

He said that President Kennedy originally "sought by

REBELLIONS FLARE IN MEXICAN STATES

MEXICO CITY, Feb. 6 (Reuters)—Rebellions have flared in recent weeks in several Mexican states, causing growing concern among the Mexican authorities.

At the small town of Teo-

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International Talks to President Kennedy

views in some subjects including the Middle East," where many of his clients operated, and added, "I suggested some sort of concerte action on the part of some companies having interest there."

Mr. McCloy noted that the oil-exporting countries formed an organizations in 1960 and said that this had led to informal discussions over anti-trust issues, first with Robert F. Kennedy. "Nothing was formalized, I was seeking an opinion, he testified.

Never Lost a Client

"I made it a point to call on each succeeding Attorney General to keep [the concerted action matter] fresh in his mind in case we needed an opinion," Mr. McCloy said.

This led Senator Clifford P. Case, Republican of New Jersey, to comment. "You are the kind of lawyer everybody dreams of having."

"I don't know that I've lost a client," Mr. McCloy replied with a smile.

The testimony then turned to a complicated series of events in Teheran in 1970 and 1971 in which the exporting countries broke through the companies' united bargaining position and reised prices in leap-frog fashion. Senator Church has said that the State Department sided with the oil-producing countries, rather than the companies.

Senator Church asserted that John N. Irwin 2d, then Under Secretary of State, who was sent to Teheran to add a United States Government presence at the negotiations, had said that if the companies had stuck together there would not have been separate agreements, leading to ever-rising prices.

"I never heard him express that," Mr. McCloy said, adding that the companies had had "no choice" but to go along with the demands of the oil-producing countries.

Yet he also said "I rather took it for granted" that the then United States Ambassador in Teheran, Douglas [illegible] Jr., "would side with [illegible] who had asked for [illegible] agreements.

Mr. McCloy also thought the State Department could use "more knowledge of oil and [illegible]," Senator Church [illegible].

As an aside, Senator Church asked if the Shah [illegible] allowed to use [illegible] profits "to buy a [illegible] share in General Motors." Mr. McCloy answered that [illegible] come in, then nationalize. "The Arabs learned that."